

## **CORRECTED FISCAL NOTE**

### **SB 638 - HB 1393**

April 7, 1999

**SUMMARY OF BILL:** Provides that, as a condition precedent to the construction or operation of a prison or facility to provide corrections services as defined in the Private Prison Contracting Act, a privilege tax in the amount of \$10 million shall be due for each such facility. The proceeds of this tax shall be placed in a special fund with one-half of all monies in the fund allocated to victims' rights groups and one-half to provide for the operations of prisons under the control of the Department of Correction and for the special drug case investigation fund. The provision will apply to the renewal of a contract under the Private Prison Contracting Act.

#### **ESTIMATED FISCAL IMPACT:**

On March 10, we issued a fiscal note on this bill indicating an estimated impact of: *Increase State Revenues - \$10,000,000/Private Prison Privilege Tax Fund.*

**The fiscal impact of this bill, based upon further analysis, is estimated to be:**

**Decrease State Revenues - Exceeds \$100,000**

**Increase State Expenditures - Exceeds \$1,000,000**

**Decrease Local Govt. Revenues - Exceeds \$100,000**

**Other Fiscal Impact – Elimination of private operated prison facilities in the state, since the amount of tax would make the operation of such facilities cost prohibitive.**

Estimate assumes:

- A decrease in state tax revenues as a result of eliminating private operated correctional facilities and the resulting decrease in sales tax, franchise and excise tax and other tax collections.
- The state will take over operation of the South Central Correctional Facility with an estimated increase in state expenditures.
- The state will contract with Hardeman County to operate the correctional facility located there, currently operated by a private corrections company, with an estimated increase in expenditures.
- A decrease in local government revenues as the result of the estimated closing of the two private correctional facilities, with a resulting loss in local government tax revenues.

#### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James A. Davenport, Executive Director

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